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SUBJECT: NEW CZECH PM PAROUBEK SURVIVES VOTE OF CONFIDENCE,
ENDING GOVERNMENT CRISIS

11. (U) The government crisis that began in January with a questions about the source of funds used by then PM Stanislav Gross (CSSD) to acquire his apartment, came to a formal end on May 13 when the government of his successor, Jiri Paroubek (CSSD), was approved by the lower house of parliament. The party-line vote in the 200 seat chamber was 101 for, 99 against. The three parties in the coalition voted in favor of the government. The two parties in the opposition, the Civic Democrats (ODS) and the communists (KSCM), voted against it.

12. (U) This is the third government since the general election in 2002. The other two governments were made up of the same three parties in Paroubek's coalition: the Social Democrats (CSSD), Christian Democrats (KDU-CSL), and the Freedom Union (US-DEU). Paroubek's cabinet is also similar to that of his predecessor. Only 4 of the 18 ministries changed hands. Minister of Defense Karel Kuhl (US-DEU) and Minister of Foreign Affairs Cyril Svoboda (KDU-CSL) have retained their positions.

13. (U) In a speech just before the vote of confidence, ODS Deputy Chair Vlastimil Tlustý offered to work with Paroubek's government on certain issues, including passage of bankruptcy reform, conflict of interest legislation, and other pro-business reforms. In the past ODS has had a public policy of not cooperating with CSSD.

14. (SBU) The next general election will be held in June 2006. Paroubek and his new government have about 100 days before full-time campaigning begins and it becomes almost impossible to pass politically sensitive measures. According to Gross's former economic advisor, Jan Mladek, Paroubek is expected to try and revive his party's sagging popularity, particularly with left-of-center voters, by trying to reduce taxes on Czechs with low income, by spending government funds upgrading housing estates, and by supporting loans to newlyweds.

15. (SBU) Paroubek's aides do not expect him to get very involved in foreign relations. However, two of Paroubek's party members, former FM Jan Kavan and head of parliament's Foreign Affairs Committee, Vladimir Lastuvka, made their support during the vote contingent on the appointment of a CSSD member as principal Deputy Foreign Minister. The replacement for the current Deputy Foreign Minister, Jan Winkler, who is expected to take up the position of Czech Ambassador to the UK this summer, could be Jaroslav Basta, who is the Czech Ambassador in Moscow. Kavan and Lastuvka made the demand in order to increase CSSD influence in the MFA, and to counteract what they perceive as an excessively pro-American stance by Foreign Minister Svoboda.

CABANISS